

Competitiveness – How the best UK companies are

Winning

Foreword

There are many excellent companies in the UK that successfully compete in the market, both at home and overseas. They produce the right goods and services of the right quality, at the right price and right time, meeting customers' needs more efficiently and more effectively than other firms. However, our overall performance in the world competitiveness scoreboard suggests that there are just not enough of these companies. We must improve if we are to meet the aspirations of our people and ensure that all organisations in the UK adopt the practices of these world class companies.

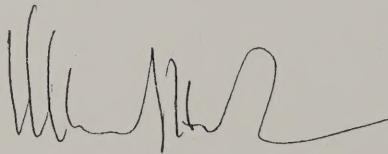
We have listened directly to the views of over 100 of the best UK companies. Chief Executives and senior managers have spoken freely about the factors that drive their companies, about their business strategies and how they are implemented, and about the key business processes and practices they use now and will be using in the future.

The challenge to all of us is to apply the lessons to our own organisations. What are we all going to do to improve our competitiveness – industry, government, the professions?

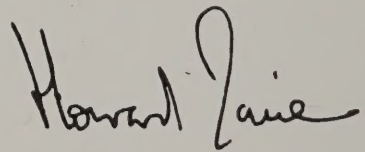
The Department of Trade and Industry and the CBI are eager to learn from these companies

and incorporate the lessons directly within their own organisations. Our future activities such as the DTI's "Managing in the 90s" programme and the CBI's "Competitiveness Forum" will take full account of the results. In addition we are consulting with other government departments and national bodies to ensure that maximum use is made of these findings.

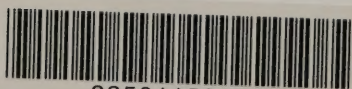
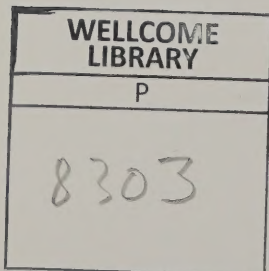
We would like to thank all those involved for their time and willing co-operation.



Michael Heseltine
President of the Board of Trade



Howard Davies
Director General Confederation of British Industry



22501158083

- 1 Ingredients for success
- 2 The findings
- 10 The challenge
- 11 The checklist
- 12 Observations – using the findings
- 13 Study methodology
- 14 Companies involved
- 15 Signposting

Ingredients for success

Winning UK companies:

Are led by visionary, enthusiastic champions of change

Unlock the potential of their people

- Creating a culture in which employees are genuinely empowered and focused on the customer
- Investing in people through good communications, teaming and training
- Flattening and inverting the organisational pyramid

Know their customers

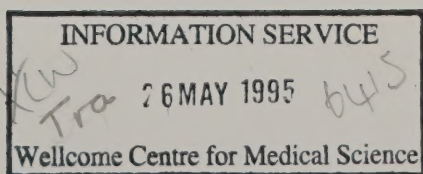
- Constantly learning from others
- Welcoming the challenge of demanding customers to drive innovation and competitiveness

Constantly introduce new, differentiated products and services

- By deep knowledge of their competitors
- Encouraging innovation to successfully exploit new ideas
- Focusing on core businesses complemented by strategic alliances

Exceed their customers' expectations with new products and services

Nine out of ten of the winning UK companies studied exhibited these characteristics of innovation best practice.



The findings

You feel it the moment you enter a competitive company; there is a buzz that suggests confidence and success. But how is this buzz achieved? What are the key factors and how can these be emulated in all British companies?

This study of over 100 of the Best Companies has shown that winning UK-based companies share a number of characteristics. It does not matter whether those companies are in the service or manufacturing sector; the key elements contributing to their success are the same. Importantly, they focus on three core issues: champions of change, employees and customers.

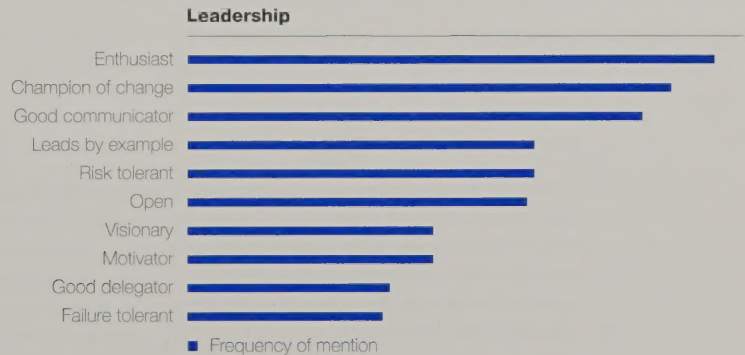
These key success factors are not in themselves new but they do reinforce previous messages. The findings reaffirm all the same characteristics of innovative and, therefore, competitive companies reported on in our earlier report *"Innovation – the best practice"*. Nine out of ten of the companies interviewed exhibit "ingredients for success". It is no accident that these are all "people related" and fundamental to the adoption and evolution of best practices. As one Managing Director observed: "excellent companies know people make the difference!"

Change

Winning companies are led by visionary, enthusiastic champions of change

Vision and change begin at the top. It can be an individual or it can be a team supporting the CEO that champions the continuous change process but as one individual observed “they do not manage change: they are change”. From there the vision is cascaded throughout the organisation so that there are “agents of change at all levels” implementing and supporting it. In the best companies change

management is not an issue: “people expect change”. But in all cases the process of change is focused on meeting customers’ needs: “my vision is delighted customers”. The result is “undisputed world-wide leadership and profitability”. And this vision is not simply focused on tomorrow’s customer but addresses issues such as “what would our customers want to buy in 15 years’ time and why can’t they?”



Empower

Winning companies unlock the potential of their people

Creating a culture in which employees are genuinely empowered and focused on the customer

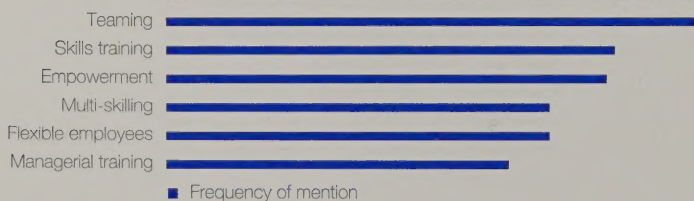
One of the key elements of the culture of the winning companies, the framework that makes innovation a habit in the company, is that the people in the organisation are seen as a key resource rather than simply as a cost – the competition may copy the product but it can't copy the people. One of the main tasks of the senior team leading the company is to enable each person in the organisation to fulfil his or

her full potential through empowerment of that individual whilst maintaining focus on the customer at all times. As one MD puts it, "motivated staff will be ten times more productive than unmotivated staff". There is a clear recognition that it is employees who most often meet with the company's customers and that "when a customer meets an employee he meets the whole organisation and often judges the whole on that basis". Employees are encouraged to "work with customers as key partners".

Investing in people through good training, teaming and communications

Training is seen as a key component in achieving empowerment of the individual and in maintaining focus on the customer in order to remain competitive. Not only is "training the epicentre of empowerment", with as much as 10% of employees' time spent on it, but successful companies "use education as a competitive weapon". The aim is to provide employees with the necessary skills to allow them to meet the multiple challenges of the tasks facing them in order to satisfy the customer. However, training is not merely an end in itself: "everything is goal orientated; everything is measured with charts and score cards everywhere. Our practice is to set targets, empower the team and measure

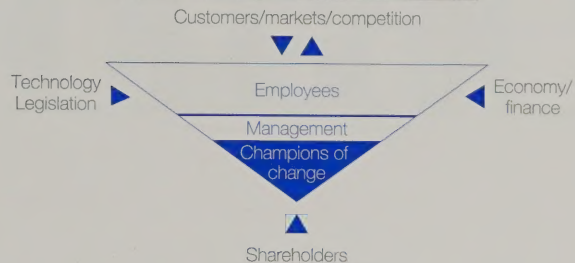
Where people are the key resource



delivery". All this is done where "the customer is the focal point".

Continuous communication forms an essential part of the process of empowerment and continuous change. Communication takes place in many directions throughout the organisation, and is always a two-way process. Just as the leaders of a company communicate their vision of where the company is going, they welcome and encourage feedback and ideas from all their employees, for they recognise that all have something to offer: "one proposal from each of our 100 employees is better than 100 proposals from one super boss". Communication takes the form of regular team briefings, frequent internal newsletters and regular contact with customers. In addition, senior management frequently gets out to meet employees by walking around the organisation and talking with individuals, encouraging the team concept of "us" rather than the divisive "them" and "us".

Inverting the organisational pyramid

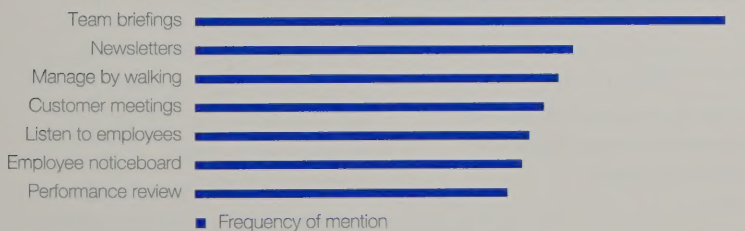


Flattening and inverting the organisational pyramid

The result of all these changes in working practices is that organisations have become much flatter. This is not simply a matter of removing layers of middle management through "de-layering" or "right sizing" which all too often becomes a cost cutting exercise as an end in itself. Rather it is a conscious effort to focus on the customer and cutting out all those things that get in the way of that focus: bureaucracy, hierarchy, overheads and functionalism. As

a result the whole structure of the organisation is changed: "5 years ago the corporate structure was like pyramids with very steep sides, in fact one could say stalactites. Now it is more like a plate of peas". The number of levels in an organisation is cut to as few as possible. In some instances there are "only three levels within the organisation: Directors, Managers and People". Seniority, and its rewards, no longer comes with length of service but rather as a result of experience and knowledge.

Communication is important



Learn

Winning companies know their customers

Constantly learn from others

The more companies progress, the more they recognise that they still have a lot to learn. They are open to ideas from all available sources. Customers are an obvious source of ideas for new products and services but they can also be used to benchmark other aspects of

performance against competitors. Contact with suppliers can be used to pick up process ideas as well as more direct product information. Many of the companies interviewed encourage visits to the site because conducting tours and responding to questions is seen as a form of free advice. Similarly visits to other companies, even those in

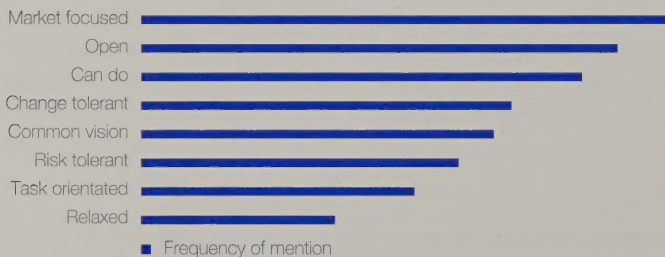
different sectors, can be a useful stimulus for lateral thinking.

Welcome the challenge of demanding customers to drive innovation and competitiveness

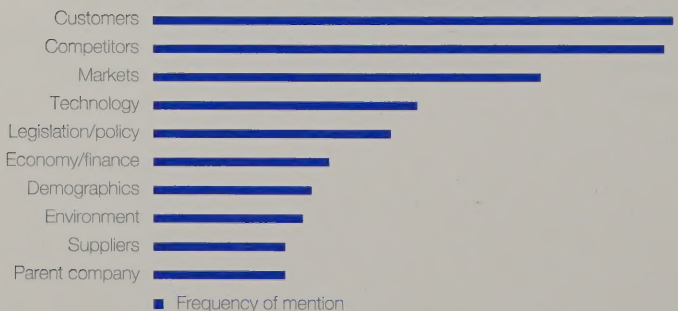
It is recognised that it is customer demands that drive the continuing competitiveness of companies: "the main financial pressure is from customers". This is seen as both a threat and an opportunity. Customers demand, and expect, lower prices, faster deliveries, less defects, full performance and many others. In addition they expect to see major improvement year on year: "our customers are demanding a 5% year on year reduction in price". By meeting these demands companies make their products and services globally competitive.

In the winning companies everyone within the organisation is aware of who the main customers are and what are their requirements. In many cases a key requirement is to know the customer and the customer's market place better than the customer himself.

A learning culture



Drivers for continuous improvement



Innovate

Winning companies constantly introduce new differentiated products and services

By deep knowledge of their competitors

Competitors, alongside customers, are seen as a major driver for continuous improvement: “competition forces innovation. Innovation is driven by the goal of being and staying Number 1”. Whilst companies are clearly aware of their major competitors by name they are frequently referred to in terms of nations. Low cost labour in the Far East, particularly China, and the lean production of Japanese companies

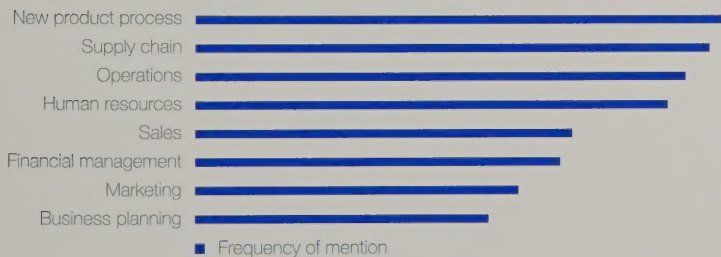
figure frequently, whilst “anyone who thinks Europe is the competition has missed the boat”.

Encourage innovation to successfully exploit new ideas

As with all other aspects of the winning companies product innovation is increasingly targeted and measured: “a target of 80% of sales of products to be generated from products less than five years old”. “New product development is like getting up in the morning – if you don’t develop new products, you don’t

get very far.” This is a core attitude in winning companies, both manufacturing and service, and is a key driver in staying ahead of the competition: “we have to innovate to stay ahead”. The winning companies are focused on all aspects of the business that will enable them to exploit new ideas successfully, whether in the production process through simultaneous engineering and time compression techniques, or in after sales service. Effective production

Management of key business processes



process is seen as critical in delivering continuously improving products coupled with ever improving customer support services. As companies rationalise their own operations, they are increasingly looking to their supply chain for further improvements. They are expecting exactly the same performance from their suppliers as their customers expect from them. "Not enough UK suppliers are innovative, we are having to put a lot of effort into their education".

Focus on core businesses, complemented by strategic alliances

Success is based around a deep understanding of customers and their requirements, together with a full knowledge of the competition. As a result companies are strongly focused on core business and competencies. As one Managing Director put it, "we are experts because we have fallen in all the holes and now know how to avoid them". Teamwork, and the responsibility of employees for all aspects of the business process, ensure that this happens. As a result, companies are increasingly focused on the organic growth of their core businesses. However, to support their operations and to maximise the exploitation of scarce resources winning companies are entering into strategic alliances, especially when looking to break into new markets.



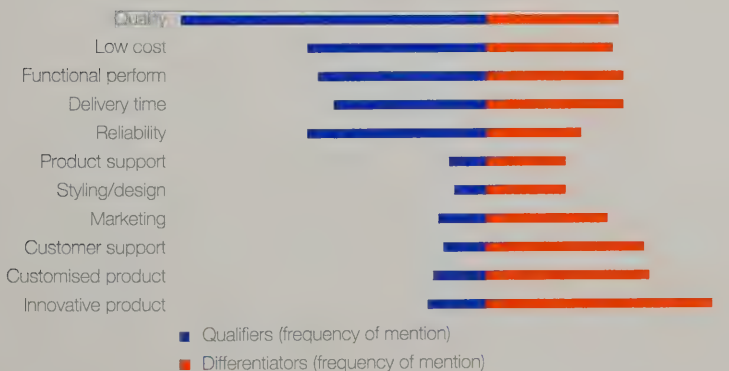
Win

Winning companies constantly exceed their customers' expectations with new products and services

Within customer focus there is the continuing desire to provide products and services that exceed expectations, "aiming to achieve individual customer delight". Price is only one element of this equation and not necessarily the most important: "our job is to satisfy our customers: quality, delivery and then price in that order". Increasingly service is seen as a key differentiator in an organisation's competitiveness: "the only competitive advantage that companies like ours have over the Far East is service".

Companies take it for granted that elements such as quality, low cost, performance and delivery time are no longer sufficient in themselves. In fact, they are now seen by an increasing number of firms as necessary qualifiers to survive in the market. Innovative, customised products and services, supported by marketing and design, are the differentiators that allow companies to win: "if the product is right, and you deliver what your customer wants, the world is your oyster".

Strategies for competitive advantage



The challenge

This study has confirmed that it is possible for UK companies operating in all sectors to win: winning with the right people and the right product, delivered at the right price, on time and supported with a superior level of service. The key messages that have emerged are relevant to all organisations, both in the private and public sectors. If the UK is to continue to win, and to get better at it, then all must heed these messages and put them into practice: government as well as industry.

The challenge is: how do you measure up to the best, and how are you going to change?

To assist in this process this study has identified a number of features which are common to winning companies. These are summarised opposite and offered as a checklist for other organisations.

The checklist

Led by visionary, enthusiastic champions

- Leaders have a vision that is owned throughout the organisation
- Build demanding but realistic targets into the business strategy
- Are champions for change who lead by example and accept managed risk
- Generate an open communicative management style throughout the organisation
- Focus on their customers

Know their customers

- Know and anticipate the future needs of their customers
- Have a realistic understanding of their competitors and how to beat them in competition for the customers
- Know the drivers in their market
- Focus on the customer and cultivate an active partnership towards total customer satisfaction
- Collaborate with customers, other companies, suppliers and academia to maximise capabilities and minimise risk

Unlock the potential of their people

- Empower all employees by creating individual ownership and focus on customers
- Simplify the internal systems wherever possible
- Clearly communicate company performance
- Encourage a team approach
- Train at all levels: professional development, multi-skilling, updating
- Measure and benchmark performance against direct competitors and other companies in other sectors
- Install information and financial systems focused on rapid provision of customer relevant data

Deliver products and services that exceed their customer expectations

- Adopt a philosophy of total quality in all company behaviour that emphasises delighting the customers with all aspects of the product and services
- Measure customer perceptions of products and service

- Deliver continuous improvements in all added value aspects

- Seek to continuously reduce customer costs

- Develop partnerships with their suppliers

Continuously introduce differentiated products and services

- Have a product and service after next philosophy
- Exploit new technology or legislation to drive new product innovation
- Customise the product and service
- Radically improve speed to market
- Adopt multi-functional teams to drive innovations forward

Observations – using the findings

The overall messages and more detailed results which have emerged from this “100 Company Study” are highly relevant to industry, government and other organisations. The way ahead for the manufacturing and service industries has been outlined in the Challenge and Checklist. But the messages can also influence the future shape and content of a range of best practice and training activities of Government Departments, the CBI and other bodies. Discussions are being held with those responsible to consider if and how the following activities could be modified or introduced taking account of the findings of this study.

Department of Trade and Industry

1. Prioritise best practice programme (Managing in the 90s), with particular emphasis on people best practices and on new product and service development.
2. Include in training of Business Link Personal Advisors and other relevant members of the Business Link team.
3. Develop simple benchmark/identikit of best practice for use by a wide range of companies and business advisors.

4. Encourage professional institutions (eg through the relevant Engineering Task Groups) and other relevant bodies to promulgate key findings to members, incorporate in training and professional updating and in reducing functional boundaries.

5. Encourage Business Schools to incorporate findings in their post-experience training courses, including MBAs.

6. Take the lead within Government in applying best practice lessons to the public sector.

Department of Employment

7. Consider the best practice lessons in the formation of general policy on training.

Management Charter Initiative

8. Develop the links between the best practice lessons and the Management Standards and encourage all organisations to incorporate them in their management programmes.

9. Incorporate the findings of this study in their review of Management Standards, especially their draft Senior Management Standards.

National Council for Vocational Qualifications

10. Alert those who develop National Vocational Qualifications to the findings.

Engineering & Physical Science Research Council/ Economics & Social Science Research Council

11. Take account of the findings in the Innovative Manufacturing Initiative, research on the management of innovation and post-graduate training.

Training & Enterprise Councils

12. Benchmark their own study of 500 “local” companies against findings of this study.

13. Take the results into account in developing their portfolio of services available to companies.

Confederation of British Industry

14. Incorporate findings into Competitiveness Forum and in the annual training presentation to members.

Institute of Management

15. Disseminate the findings to accredited centres, members and students. Incorporate them into management information programmes.

Study methodology

This study is based on the views of the leaders of 121 UK-based businesses. The DTI commissioned Warwick Manufacturing Group to develop an interview framework and recording process. This was based on the model developed in the DTI report "Manufacturing into the Late 1990s".

The framework was used by senior industrialists seconded to DTI, supported by DTI and CBI officials, in two-hour non-attributable face-to-face

interviews with senior executives of the selected organisations. The interview records have been entered into a database. The context of the interviews has also been analysed, to validate the conclusions drawn from the database and to ensure the important messages were not overlooked. The final report draws on the data from over 100 of the best companies studied.

The strength of this approach has been to allow the interviewee

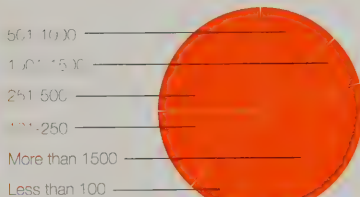
to lead the discussion into the issues that were important to the organisation rather than those the interview teams believed to be important.

Organisations were identified by the DTI in discussion with CBI Manufacturing Directorate. The organisations were reviewed against published financial data. The final selection was made to ensure a degree of balance between the manufacturing and service sectors, region and size.

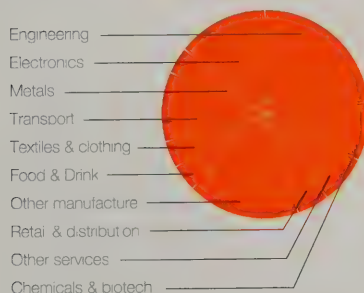
Companies by region



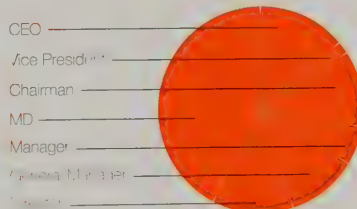
Companies by employees on site



Companies by sector



Position of interviewee in company



Companies involved

The DTI and CBI would wish to thank the senior executives of the following companies who agreed to be interviewed for this study.

3M United Kingdom plc
 Alcan Rolled Products UK Ltd
 Allied Colloids Group plc
 Allied Domecq plc
 ASW Ltd
 Avon Rubber plc
 Barclays Bank PLC
 BICC Cables Ltd
 Black and Decker Ltd
 Bonas Machine Company Ltd
 Bridgeport Machines Ltd
 British Aerospace Defence Ltd
 British Airways plc
 British Airways Maintenance
 Cardiff Ltd
 British Steel (Teeside) plc
 British Telecom plc
 Cadbury Ltd
 Calsonic International (Europe) Ltd
 Co-Operative Insurance Society
 Control Techniques Ltd
 Courtaulds plc
 Crahtree of Gateshead plc
 Crosrol Ltd
 D2D Ltd
 Dalau Ltd
 Dale Electric International plc
 De La Rue Company plc
 DeVilbiss Ransburg Ltd
 Dutton Engineering (Woodside)Ltd
 Elmwood Sensors Ltd
 European Gas Turbines Ltd
 Express Engineering Ltd
 Fiona Footwear Ltd
 Plymo Ltd
 Forms UK plc
 FR Electronics Ltd
 GEC Marconi Avionics Ltd
 Gent Ltd
 Gleneagles Hotel
 GT Group Ltd
 Guinness Brewing World Wide Ltd
 H.P. Bulmer Ltd

Harkers Engineering Ltd
 Harlow Sheet Metal plc
 Hewlett Packard Bristol
 Hewlett Packard Ltd
 Honeywell Control Systems Ltd
 House of Hardy Ltd
 IBM PC Company
 Iceland Frozen Foods Ltd
 ICI plc
 Instron Ltd
 Inveresk plc
 J. Sainsbury plc
 JC Bamford Excavators Ltd
 John McGavigan & Co Ltd
 KAB Seating Ltd
 Kodak Ltd
 Lucas Industries plc
 Mansfield Knitwear (Menswear)
 Marks and Spencer plc
 MBS Distribution Ltd
 Metron (Calne) Ltd
 Micro Circuit Engineering Ltd
 Milliken Industrials plc
 Motherwell Bridge Holdings Ltd
 Motor Panels (Coventry) Ltd
 Motorola Ltd
 Moy Park Ltd
 Nashua Photo (York Labs) Ltd
 Navico Ltd
 Newbridge Networks Ltd
 Oxford Magnet Technology Ltd
 P & P Micro Distributors Ltd
 Pall Europe Ltd
 Parkland Manufacturing Ltd
 Penn Pharmaceuticals Ltd
 Pindar Infotek Ltd
 Porvair International Ltd
 Project Office Furniture Ltd
 Prudential Corporation plc
 Rearsby Automotive Ltd
 Renishaw plc
 Rolls Royce Commercial Aero Engines Ltd
 Rolls Royce Industrial Power Group
 Romag Glass Products Ltd
 Rover Group Powertrain Ltd
 S P S Technologies Ltd
 S.R. Gent Ltd
 Scottish Power plc

Seaward Electronic Ltd
 Servomex plc
 Short Brothers plc
 Solartron Instruments Ltd
 Sony Manufacturing Company UK
 Soundcraft Electronics Ltd
 Spider Systems Ltd
 Spirax-Sarco Engineering plc
 Staffordshire Tableware Ltd
 Stoves Ltd
 Sunrise Medical Ltd
 Swift Group Ltd
 Tallent Engineering Ltd
 Tensator Ltd
 The Meteorological Office
 Thorn EMI plc
 Thorn Lighting Ltd
 Tinsley Bridge Ltd
 Trifast plc
 Ulster Carpet Mills Ltd
 Unilever plc
 Unipart Group plc
 USM Texon Ltd
 Vaux Breweries Ltd
 VSEL plc
 Warwick International Ltd
 Weir Group plc
 Western Provident Association
 Williams Grand Prix Eng. Ltd
 ZENECA Group PLC

Project organisers and implementers

The DTI and the CBI gratefully acknowledge:

the companies for participating willingly in this study;

the help and assistance of the Scottish Office, the Welsh Office and the Regional Government Offices in arranging the company discussions and providing recorders;

The Warwick Manufacturing Group at Warwick University for developing the methodology and recording the results.

Signposting

DTI Innovation Enquiry Line

For up-to-date information on all aspects of DTI's innovation activities.

Contact: Telephone 0800 442001

Managing in the 90s

DTI's Managing in the 90s programme offers businesses a coordinated programme of information and advice on key areas of best practice.

Contact: Telephone 01443 821877

Inside UK Enterprise

Inside UK Enterprise offers the opportunity to visit leading companies employing best management practices.

Contact: Telephone 01234 840 322

Competitiveness Forum

The CBI's National Manufacturing Council works to ensure that UK manufacturing enters the twenty-first century able to compete with the best in the world.

Contact: Telephone 0171 379 7400

Business Links

Business Links offer a single point of access to a full range of business support services, bringing together all key local agencies. It is planned that by the end of 1995 there will be a Business Link within the reach of every firm in England.

Contact: Small Firms and Business Link Division, DTI
Telephone 01142 597507

Business Development Support in Wales

Contact: Welsh Office Industry and Training Department
Telephone 01222 823497

Business Development Support in Scotland

Contact: Scottish Office Industry Department
Enquiry line
Telephone 0141 248 4774

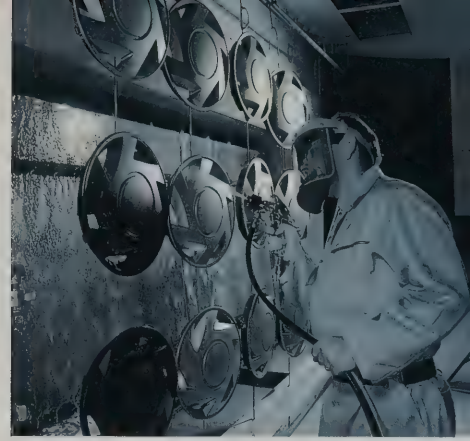
Investors in People

Investors in People is the national standard for effective investment in employees. For further information about the Standard companies can contact their local TEC or LEC or Investors in People UK.

Contact: Telephone 0171 636 1626

For further copies of this report
Contact: Telephone 0171 215 1532

"Winning companies know
people make the difference"



DeVilbiss Ransburg Ltd South West

Winning companies unlock the potential of their people

Key Achievements

- average lead time improved from 4-6 weeks to 2 days
- delivery performance improved from 40% to 98%
- productivity increased threefold between 1990 and 1994
- hierarchy reduced from 7 to 4 layers

In 1888, Thomas DeVilbiss invented an atomiser for medical purposes. When cars started to be mass produced, DeVilbiss and Charles Burdick, the inventor of the aerograph air brush, both saw the opportunity to develop and market a quick, effective paint spraying system – an early example of the kind of innovative thinking which is keeping DeVilbiss at the forefront of the spray gun market today.

Between 1990 and 1994, DeVilbiss changed from being an hierarchical, functionally

structured, autocratically run organisation, to being a flattened, process-oriented company, in which employees take responsibility for what they produce. As General Manager Jim Anderson puts it: “if you burn your bum, you sit on the blister!” The changes at DeVilbiss have been in response to competitive pressure, primarily on cost and customer service.

“The market has become more demanding”, explains Anderson. “Our customers want the equipment which will give them a better, easier paint finish, more information about how to get the best from the product and quick and reliable delivery”. Customers also want products which meet ever tougher environmental standards. The answer was to make employees responsible for “as much as we can give them of the chain of production. To make them masters of their own destiny”. Although Anderson believes strongly that

“you cannot empower people, you can only create an environment in which they empower themselves”.

Cell manufacture did not happen all at once. First, the management team set up one experimental manufacturing cell where employees were given a particular budget with which to buy materials and tools, and were measured on their performance – effectively a small business. “It was all done with a lot of talking and discussion, rather than with formal training. We tried it out, found something that worked and then used the initial cell as a training medium for other cells. It all grew from there”. The company greatly improved delivery performance, which in turn made them more competitive.

Some employees found it harder than others to adapt to the changes. “The doers – those in either selling or making – took to it quite easily,

“...we give them the chain of production to make them masters of their own destiny”

but the ones in between found it more difficult because they had to learn to become a service to the process rather than having total control over one part of it”.

DeVilbiss sees itself as ‘a learning organisation’, supporting both the education and the training of its employees. Education is defined as ‘anything which helps people to understand business processes and to make good decisions on their own’. Training is the ‘ability to carry out particular procedures’. “We do a lot informally in-house”, says Jim Anderson, “because for our business structure there is very little available outside. But where outside courses do exist, we support people who want to take advantage of them”.

Jim Anderson sees his role as “a provider of resources, advice – an avuncular role really. My job is helping people and I see myself as providing service, rather than control”. He has

been delighted with the way the workforce has adapted to the changes. “I said at the beginning ‘I’ll know I’m winning when people start pushing me rather than me pushing them.’ I was surprised at how quickly that happened”.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



Dutton Engineering (Woodside) Ltd East

Winning companies unlock the potential of their people

Key Achievements:

- **"contributing to the success of British industry"**
- **turnover per month, per direct employee (i.e. non-admin) £5,000 in 1991 to £7,500 in 1994**
- **between 1991 and 1994 reduced value of work in progress and stock from £276,000 to £113,000**
- **"I have lifted their aspirations for themselves. Even staff who have no qualifications now have a good standard of living, a well-paid job and security"**

The moment you meet Ken Lewis, you know he is a man of inspiring enthusiasm who cares deeply about the future of British industry.

"I believe in British manufacturing. I think we're good at it. But it's got itself a bad reputation – kids these days all want to be doctors and lawyers, they don't want to go into business.

What I want to say to them is:

"I see a future full of change. The rules that have applied won't apply in the future. It's a bloody exciting time to be out there!"

Dutton Engineering, a company of some 25 people which manufactures precision stainless steel enclosures for the electronics industry, started in 1972, and was bought out by its management in 1983. "I went through several stages in my thinking", says Lewis. "First, I heard what the government was saying about quality in the 80s, so we went for, and got, BS5750/2 before most people had even heard of it. But then I thought: 'Improving quality by itself is not going to put us ahead of the Japanese and the Germans. I must find out what they're doing that we're not.' So I went to Japan to have a look". What he saw primarily was trust – between team members making a particular product, and between manufacturers.

suppliers and customers.

Inspired by seeing kaizen (continuous improvement) in action, Lewis set about applying what he had learned to Dutton. "At Dutton, 'quality' used to mean 'inspection'. You made it and then someone else inspected it. In Japan, I saw guys giving up their Saturday morning to come back and put things right that had gone wrong during the week. We were paying people to make things wrongly, then paying them to put it right again. I thought: 'why bother with inspectors? The men and women on the shop floor are skilled enough and professional enough to make it right in the first place.'" Lewis put people into teams, with everyone on the same salary regardless of education or experience. "Everyone is an equally valued member of the team. If they haven't got anything to contribute, they shouldn't be there in the first place".

"I trust my people completely
...they do their job better"

Teamworking had a rocky start – because, Lewis believes, the British are brought up and educated to operate as individuals. But when he introduced a system of annual hours, the teams began to see the advantages of working together. "Once the tasks for that week were finished, the team could go home. They worked a lot more effectively once they realised that". Lewis is clearly proud of the people who work for him and has created a culture in which employees not only get satisfaction from the work they do, they also enjoy it. "I trust my people completely. If people are valued and trusted, if they are appreciated for what they do, they do their job better. And they have more fun doing it".

Change is something that Dutton employees have not just got used to – they positively relish it. "With the right leadership, people can come to like change, to be confident with it and look forward to it. Initially

it's hard and a lot of blood flows. But now – if things have gone for six weeks without a change we all start to worry".

The changes were hardest for management. "Managers are terrified of the idea that the people on the shop floor know more than they do about the job. Of course they do! A manager's role is to coach, facilitate, lead. Everyone has something to give. A manager's skill is to find out what it is and make the best of it".

Dutton has worked hard to build trust relationships with suppliers and customers. In particular, Lewis encourages as much contact as possible between manufacturing cells and customers. "The philosophy used to be to keep customers away from the people on the shop floor because they might drop you in it. Our people spend time in customers' plants learning more about their needs, finding out how we can serve them better.

After all, we want our customers to be successful. It's vital to break down the barriers and recognise that we all want the same thing".

Ken Lewis sees his own role as being to "give them a vision. I've told my team that in three years' time I want to enter for the European quality award. I've said to them: 'Take me there'. And I know they will".

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



European Gas Turbines Ltd East Midlands

Winning companies are led by visionary, enthusiastic champions of change

Key Achievements

- sales have increased 60% since 1989
- return on capital has doubled in the same period
- quality has measurably improved
- profit has increased significantly
- despite the fact that EGT's products have long lead times, 'on time' delivery has improved from 60% to over 95%

European Gas Turbines is a company employing some 2,000 people, which manufactures gas turbine engines for industrial applications. Turnover, in 1993, was £200 million. 1989, the year Paul Barron took over as managing director, was a crucial time for the company. Its competitors were starting to merge and make strategic alliances. In the words of Paul Barron, EGT was in danger "of being left swimming in the small

pool, with no chance of getting into the bigger one". There was a need for radical change if the company was to stay a global player into the nineties and beyond.

The management team took a long hard look at the company and identified the 'building blocks' that were needed to make the company 'world class.' There were many initiatives, but the main focus was on people. The aim was to change the company from traditional to modern, to change people's thinking, and make them more efficient. The strategy was driven from the top. "How I acted with my people", says Paul Barron, "was how I wanted senior managers to act with their people and so on". The idea was to remove barriers and organise the company into 'manageable chunks.' The whole company changed to team-working, support for the cells (engineering, quality, purchasing etc.) was brought out of officers onto the shop floor and made equally responsible for

the product. A customer-supplier approach was applied throughout the organisation. Every individual was forced to ask "who is my customer?" and talk to them to find out how the product or service could be improved. Each part of the production process was targeted and measured to increase productivity. "We target everything", says Paul Barron. "How many enquiries can our customer support centre deal with in one day? How quickly can we turn around a tender?" The changes were pushed right down to shop-floor level. "As we peeled away each layer, we had to tackle everything from how we bought our nuts and bolts to the organisation's selling strategy. Nothing was left untouched. Everything was uncovered, examined and, if necessary, changed".

The changes have not been smooth, or without setbacks. "Change is frustrating. It's

“...think about the future, train people, communicate the vision, help and support”

difficult to communicate a vision – you encounter cynicism, scepticism and resistance”. But five years on, the company is more productive, has better products, stronger alliances, and a workforce which is motivated to continuously improve the production process and the working environment. Even so, Paul Barron is far from complacent. “I want to stress that this is not Utopia. We haven’t achieved perfection, or even made as much progress as we would like. When you are dealing with people, the results are always patchy. For example, some people respond to team working and others don’t and probably never will”.

Innovation is vital to the kind of changes that have made EGT a world class manufacturer. For Paul Barron, innovation means “thinking horizontally about the process. Always asking ‘what are we trying to achieve? What if we tried it this way?’ It can be applied to anything. If you are the operator

in the print room and you have a customer popping his head round twenty times a day wanting photocopies, ask yourself – ‘does he always need the copies the same day? Can we organise things differently to suit him better?’”

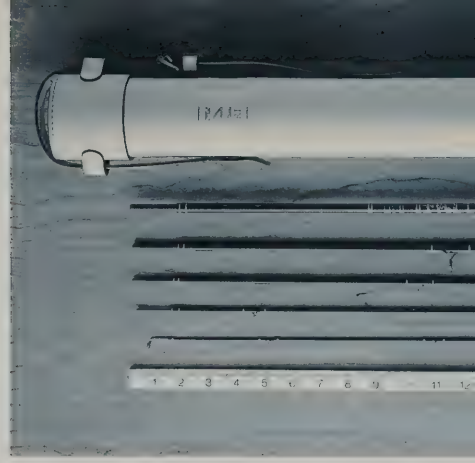
Managers at EGT are seen as supports, below, rather than above, the teams. Their job is to ‘think about the future, train people, communicate the vision, help and support.’ Managers are ‘hands off’, but this does not mean that they are not involved. Far from it. “They should be out there amongst the problems, taking ideas from the teams and turning them into improvements”.

Leadership, according to Paul Barron, is a matter of being able to see a vision and to transfer ideas into action, without being hidebound by tradition. “A lot of people have good ideas, but a good leader can transfer ideas into action and drive them through, even

when the going gets tough. They have the ability to motivate and inspire people and get the best out of them”.

Continuous learning is a vital ingredient of EGT’s success. Training takes many forms – formal and informal; on the job and off the job; team learning; internal and external courses. Paul Barron makes a point of seeking out best practice, no matter where. “When I hear of someone who is world class – the best at something – I ask to visit them. You can get ideas from any business and apply them to your own”. EGT will continue to change, to adapt to the global market. “You have to carry on getting better. No-one can sit back and be satisfied with the status quo”.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



House of Hardy Ltd North East

Winning companies know their customers

Key Achievements

- **successful development of international markets rewarded with the Queen's Award for Export Achievement in 1986**
- **7 new ranges in the last 5 years**
- **98% of products can be delivered within 24 hours**
- **average return on capital has exceeded 50% in the last 7 years**
- **sustained profitable growth throughout the recession**

House of Hardy is “a modernised, traditional company”, according to finance director Gerry Metcalfe. The company, which had its origins in guns, now manufactures high quality fishing tackle and fly reels. Although House of Hardy is expanding into ‘lifestyle’ clothing and also supplying composite tubing to the defence industry, the world’s anglers know it as “the Rolls-Royce of fly-fishing tackle” – makers of high quality rods and

reels, of classic design. Company turnover is £5 million.

In the late 1970s the brand was starting to lose impact in the UK marketplace. The market was suddenly flooded by cheap Taiwanese products which could not compete in terms of quality, but were competing for the scarce cash resource of dealers. House of Hardy was spending considerable amounts of money on advertising and promotion to drive angler fanatics into specialist dealers, only to find that the dealer did not stock the full range of their products and so encouraged a switch to a different brand. By the mid 1980s, the Hardy management decided that they had to change the way they distributed products in the UK. They needed dealers who understood their product and who would sell it in an appropriately commercial way – with adequate stock and at a full margin. The Board acted

radically – they fired over 1,000 accounts; only 50 dealers were invited to become specialist ‘House of Hardy’ tackle shops.

This radical step was complemented by significant changes in the structure and organisation of the company. They modernised their production process, with heavy investment in the latest CNC lathe technology. They brought production and sales/marketing closer together, increasing the communication between the two. Each employee was made responsible for the quality of the product they produced and was empowered to stop production of a rod or reel if the quality was not of a sufficiently high standard. Batch sizes were reduced from 500 or 600 at a time to just 100, to allow greater flexibility in production. New ranges of products were introduced. In the past, a single product might be marketed for 60 or 70 years; now, many

“We have worked hard to find out all we can about our customers and what they want”

products are changed or replaced after 5 years to fully cater for market requirements.

Research and development is also strong. The R and D team has close links with universities and research establishments and is continually working with new materials to develop innovative products. A further radical change has been in delivery times. The new structure and technology has meant that House of Hardy has hugely improved its responsiveness – 8 years ago delivery time was between four and five weeks, which compared reasonably favourably with competitors. Now, 98% of fishing tackle can be delivered in the UK in 24 hours – it can be on shelves in the US within four days. “Today – Wednesday – we have just had confirmation of a £200k order from Japan”, says Gerry Metcalfe; “90% of that order will be on a shipment by the end of the week”.

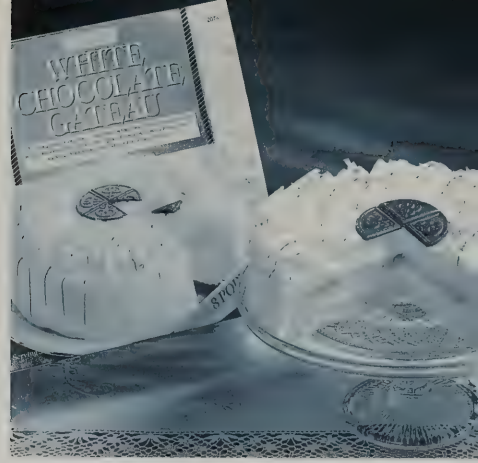
The 50 remaining UK dealers

were invited to Hardy’s to set up a two-way flow of information which continues to provide invaluable customer data. But how do you define a serious fisherman? “Our customers come from all socio-economic classifications and the definition of a serious Hardy fisherman is very difficult. Is it someone who goes fishing once a year, spends a thousand pounds on tackle and several thousand pounds booking the best week to fish on the Tweed? Or is it the man who spends fifty pounds on tackle and goes fishing once a week? We have worked hard to find out all we can about our customers and what they want. “International distributors and UK dealers are encouraged to see themselves as an extension of House of Hardy. Every other year, UK dealers get together in groups of 11 or 12 for a business seminar where they discuss the company philosophy, strategy and targets. Informally, the dealers talk

among themselves, sharing product and customer information”.

Learning has always been important at House of Hardy – rod-making skills have always been learned on the job. However, in the 1980s, the company collaborated with a local technical college to develop four-year sandwich courses to supplement the traditional, formal apprenticeship scheme. Over the last 7 years, 12 people have come through the scheme. The strategy of the Hardy leadership is clear. “We derive satisfaction from meeting our customers’ requirements and we see ourselves as custodians of the brand. We are geared to long-term sustainability. We have been around for 125 years – and we intend to be around for the next 125”.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



Iceland Frozen Foods Ltd Wales

Winning companies are led by visionary, enthusiastic champions of change

Key Achievements

- from one store to 700
- and from nothing to a billion pound turnover – in 24 years
- profit increase from £3 million in 1984 to £65 million in 1993
- a large investment in training at every level
- 200 new products launched every year
- Continuous Innovation

Retail is generally agreed to be a tough market. To stay alive in today's High Street, you need to be able to compete with the biggest multiples, to adapt to constantly changing social conditions and to react quickly to customer demand. Iceland has not only survived in this fiercely competitive market place, it has positively thrived. The figures are impressive. From one shop selling loose frozen food in 1970, Iceland now has 700 shops nationwide. Turnover has gone from £65 million in 1984, to £1.1 billion in 1993. Profits have gone up from

£3 million in 1984, to £65 million in 1993. Iceland's success, according to chairman and founding partner Malcolm Walker, comes from "focusing on our core business – always being the best at frozen food, always being the first to do anything in the frozen food world". Iceland has positioned itself carefully in a niche market, competing with, but also complementing, the major supermarkets. It has chosen to stay in the High Street, offering the customer a smaller shopping environment, friendly service and a huge range of products. "We see ourselves as the affordable Marks & Spencer", says Walker.

Iceland's culture is young, innovative and fast-moving – "like a person running very fast". It is 'high risk' tolerant and able to accommodate failure and learn from it. "We are a 'have a go' company. We make quick decisions. If our ideas work – fine. If they don't, we take a quick step

back and move on again". For example, in 1993 the company opened several stores in France, took over 43 Littlewoods food halls and opened 60 new stores in the UK. The French experiment did not prove to be profitable enough and was put on hold; the venture with Littlewoods is going very well and will continue. Quick response to change is essential in food retailing – "It's a fashion business", says Walker. Iceland launches at least 200 new products every year. Every Monday morning, the Board meets to look at the previous week's sales and make decisions for the week ahead. "It's quick and snappy", says Jill McWilliam, public relations director. "We compare sales with the same week the previous year, come up with ideas and predictions and then make a policy decision".

What sort of employees can handle such rapid change?

“Being second best is never enough.
We have to be the best”

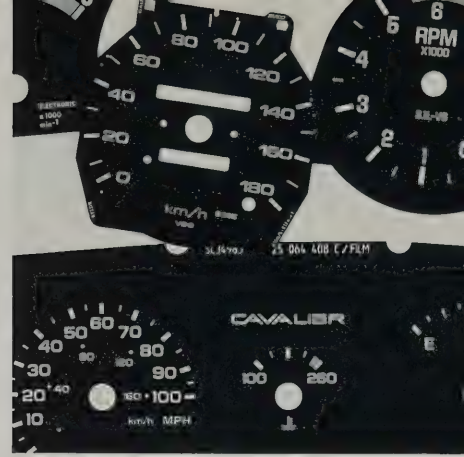
The company employs young entrepreneurial people, who are expected to take a high degree of responsibility. “We like people who are bold and innovative – who make decisions and then stand by them. Even junior managers are expected to take a high degree of responsibility”. Everyone is expected to come up with ideas for improvement. “We are good at communicating upwards”, says Walker. “A good idea from an area manager’s meeting can be implemented countrywide in a very short time”. Jill McWilliams believes that Walker’s charisma and strong leadership has been a vital ingredient of Iceland’s success. “He is a great motivator – his sheer enthusiasm rubs off on everyone in the company and helps to give it a buzz. He is constantly looking at everything and coming up with ideas – but if someone comes up with a better one, he is genuinely delighted to

dump his idea and go with the one that works better”.

Iceland considers training to be very important. There is a comprehensive in-house training scheme which takes employees up the ladder from stock assistant, to supervisor, to manager. Walker explains: “everyone is encouraged to move upwards – no-one is held back . But everyone is expected to participate, to make a contribution”. Iceland likes to strike a balance between growing their own managers and bringing in new blood and new ideas from outside. About 70% of their managers are home grown.

Iceland has an unbroken growth record and an unbroken profit record and is a perfect illustration of the success of a culture of innovation and rapid response to change. Malcolm Walker believes in winning. “Being second best is never enough. We have to be the best”.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



John McGavigan & Co Ltd Scotland

Winning companies constantly introduce new differentiated products and services

Key Achievements

- productivity is up – in October 1993 they produced 1.6 million 'widgets', with a staff of 190 people; in October 1994, they produced 2.3 million, with a staff of 152 (staff were either redeployed within the new manufacturing company or took voluntary redundancy)
- turnover has gone from £8 million in 1989 to £14 million in 1994 – they hope to double the 1994 figure in the next three years
- expanded in a period of recession from 2 to 4 manufacturing companies by developing innovative products and finding new markets

A recent survey of employee satisfaction conducted by the University of Sheffield at John McGavigan (Automotive) – a Glasgow firm which makes

screen-printed dials and appliques for the automotive industry – included questions on innovation and tradition. Employees were asked to agree or disagree with statements such as 'people in this organisation are always searching for new ways of looking at problems,' or 'the way this organisation does things has never changed very much.' Scores for McGavigan employees were 'very significantly higher' on innovation and 'very significantly lower' on traditionalism than those of employees in the other 49 manufacturing companies included in the survey. Managing director Edward Smith is delighted. "That terrible phrase – 'we've always done it this way' – has been kicked through the window here."

McGavigan's major changes started in about 1989. At that time, the group consisted of two companies – one producing screen-printed dashboard dials

for the automotive industry and the other producing graphic panels for the information technology market. In 1990, the management team felt that the company was too dependent on one or two major customers, so they decided to expand the group by developing different, innovative products that could be marketed through self-sufficient, independently-managed companies. Now, the group has expanded to four companies – the second two produce parts – high current membrane switches and inmould products for the automotive, information technology industries. Influenced by the ideas of American guru Dr. Deming, McGavigans has adopted teamworking, kaizen (continuous improvement) and have built up a remarkable reputation for innovation. "Our strategy has been to continuously add value to our product", explains Edward Smith. "We listen carefully to our customer's problems and

"We listen carefully to our customers' problems and come up with innovative solutions"

come up with innovative solutions. And we develop ever more complex products – better designed and more effective”.

Employee empowerment has been a vital part of the culture change. Team leaders are expected to gather data and ideas from their teams, analyse it and then implement it back into the workplace. The Sheffield University survey indicates that this process is operating successfully. Employees rated the company very highly on statements such as ‘this company is quick to respond when changes need to be made.’ Edward Smith feels that empowerment is amply demonstrated by a recent building project. “In 1985, this building was a state-of-the-art facility. I felt it needed upgrading. Once the decision had been taken to invest £125,000 in the project, I turned it over to my people and said ‘you know what you need, you know how the place should

be organised – you do it. Just don’t go over the budget.’ They are happy with the building because they have had input into the design. A week or so ago they said ‘don’t come in now, Edward – wait until it’s finished.’ I said ‘OK.’ They can see that I trust them”.

Managers at McGavigans lead by example. Their job is to inspire people with the company vision, communicate with employees and train them appropriately. Training is given a high priority for employees of every level. “I think training as being like putting on glasses”, says Edward Smith. “Once properly trained it’s as if you are seeing things for the first time. The world is full of people with good training systems who can help you to achieve double what you think you can. When I’m invited to give a talk somewhere – in effect, to teach something – I always bring something back that I’ve learnt. Learning is a two-way process”.

A company has to be confident to submit to an independent survey of employee satisfaction. McGavigan’s confidence has been well justified. The Sheffield report sums up that “McGavigans employees are markedly more satisfied than employees in other companies with physical working conditions; opportunities to use their abilities; relationships between management and workers; chances of progression; hours of work and attention paid to suggestions”.

These same employees have taken the company from an £8 million turnover in 1989 to £14 million in 1994.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



Navico Ltd South East

Winning companies unlock the potential of their people

Key Achievements

- improved quality of product – from 13 technicians and one test manager in the test department to 3 technicians and no test manager
- 25% increase in turnover between 1993 and 1994
- from 3 million pounds turnover in 1992 to 5.1 million pounds in 1994
- net profit up from 60k in 1991 to 500k in 1994
- maintaining 80% of production as exports
- one of only 4 companies in the world who manufacture the waterproof radio which is being heralded as the industry standard

When the recession hit Navico, producers of navigational equipment and waterproof radios for the leisure market – sales of which are highly seasonal – they knew that the time was ripe for change. It was 1990, but the manufacturing

structure was typical of an old-fashioned assembly line company, with an hierarchical structure and lots of layers. Supervisors patrolled the lines, setting up work, fetching and carrying for the workers. “Each individual had their own job – if they left, there was no-one else who knew how to do it”.

The company employed some 90 people, many of whom had never seen the inside of another factory. It was a hard culture to change. “We started by closing the factory for two days, taking everyone to a hotel and giving them a ‘lay it on the line’ session. We explained that the way we worked was inefficient, our competitors were getting ahead of us and if we weren’t to stagnate we would have to make some radical changes”. Having laid the seed bed for change, Bowerman then advertised for the post of team leaders. He also identified certain people as ‘product champions’ – “people who are

naturally motivated, who have a desire to drive and get things done”. Many of the supervisors assumed that they would be given the job by virtue of seniority and did not apply. They were disappointed – three out of the four team leaders came directly from the shop floor. The next step was to take the team leaders and product champions on a training course to explain cellular manufacture – the key message being that “you have to learn to think for yourself”.

The next stage of change was to retrain every employee in the factory. “Every employee had to learn about quality, soldering techniques, mechanical techniques and company procedures. Each of the four team leaders took a subject, teaching six people over a one-week period”. The training was all designed in-house, “having set up a training room in the factory, the trainees were given samples to hand-solder, products

“From having a staff who work here, we now have a staff who feel they belong here. They are the company”

to build, and so on. Then they played a business game – devised by us – to illustrate how the company works”. Now, the entire workforce is multiskilled, moving around as required, although each person has a team to which they belong – “it’s important to give people a home base”. Training continues to play an important role. The company has just instigated an NVQ level 2 course with a local technical college. All staff aged 16 to 22 will do the course and, if successful, will go on to NVQ level 3. Team leaders will do NVQ level 4 – the equivalent of a BA in management.

Employee empowerment has led to greater ownership of the product. Visibility boards all over the factory display current market information and financial targets. Mike Bowerman explains: “we have opened up our whole business system so that every employee – and every visitor – can see what’s going on. No-one can

claim not to know the bigger picture, because it’s all there for them to see”. Empowerment did not happen overnight. “When I first got here”, says Bowerman, “people would come in every few minutes saying ‘shall I do this?’ ‘Would it be OK to do that?’ We turned every question back to them. ‘What do you think?’ And they would say ‘I don’t think it’s a good idea’, and we would reply ‘There’s your answer, then’”.

Innovation and continuous improvement is another ingredient in Navico’s success. Team leaders take members of their team to other companies and come back with ideas of how they can do things better. Every team also has a brainstorming session once a week, chaired by the quality team leader, to find ways of improving the quality of the product and the process. Team members have also been finding out more about what their customers want by using the product themselves. “We realised

that staff knew very little about the product they were making. So we took every member of staff sailing so they could see the equipment in action and understand why we needed such rigorous quality standards”.

Mike Bowerman’s leadership style contains a large teaching element. “I’m there to advise, direct and teach. I firmly believe that you cannot lead unless you also serve. I believe in management by walking about – you’re there as a resource to be used in that way”. He feels his main achievement is to give employees a sense of ownership. “From having a staff who work here, we now have a staff who feel they belong here. They are the company”.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



Pindar Infotek Ltd Yorkshire and Humberside

Winning companies know their customers

Key Achievements

- **Pindar's sales in 1994/95 are predicted to be 25% up on the previous year**
- **the company's projected profit increase is 40% over the same period**
- **"our key achievement is to offer excellent levels of service at all points on our network"**

Pindar's business – the gathering, processing and delivery of information through print or electronic means – is changing more rapidly than almost any other in the world today. Pindar's attitude to the ever-changing world of information technology has been crucial to their success. "We ride on the waves of change rather than trying to hold back the tide", says Chief Executive, Richard Lumby. "We have to make sure that our people see change as a benefit, an advantage, an opportunity".

Pindar's focus is not on its products, but on the service it can offer. "We seek to understand fully the needs of our customers", says Deputy Chairman, Andrew Pindar. He likens Pindar to a rail network which stretches for long distances and has many stations. "Customers may pick up our train at any station and ride for as long as it suits them. But we hope they will go further and further with us each time they take a journey". Pindar tries to get to the heart of what their customer is trying to achieve and then apply their people and technology to find innovative ways of taking them closer to it. "For example, it is not enough for us just to reduce the price of a catalogue. We can do far more for a customer by understanding what they will do with the catalogue once we have produced it. Once a year, we produced a thousand page catalogue for a large electronics company. But then they told us

that 80% of sales were made by only 20% of the customers who received the catalogue and also that 80% of orders came from only 20% of the catalogue. We used that information to suggest a catalogue which would work harder for that company in terms of sales". Pindar is at the cutting edge of information technology – in 1993, they won a DTI award for the applying of artificial intelligence to page layout – but they do not use technology for technology's sake. "We use 150 years of experience in the business and a world class technological knowledge to find the most effective way for our customers to communicate with their customers".

The role of Pindar's leadership, says Andrew Pindar is to encourage and advise. "It is like standing on the bridge of a ship trying to see where the ship ought to be going. You cannot be stoking the boiler or cooking

“We use 150 years of experience in the business and a world class technological knowledge to find the most effective way for our customers to communicate with their customers”

meals because if you take your eye off the horizon the ship may seem to be going along very fast, but you cannot be sure it is following the right course”. The people performing the day to day tasks of running the ship have far more information on which to make the right decision.

The company has a loose structure and approximately four layers. Their ‘workforce’ includes employees, partnerships and franchises. “One might say that we affect the lives of some 850 people”, says Richard Lumby. The leadership expects its people to understand their customers and to be searching continually for new ways of serving them. “Our greatest delight is when someone has had an idea, taken a risk and got on with it. If they fail, our role is not to jump on them, but to sit down with them and decide what might have given a better outcome. But if people feel they have the

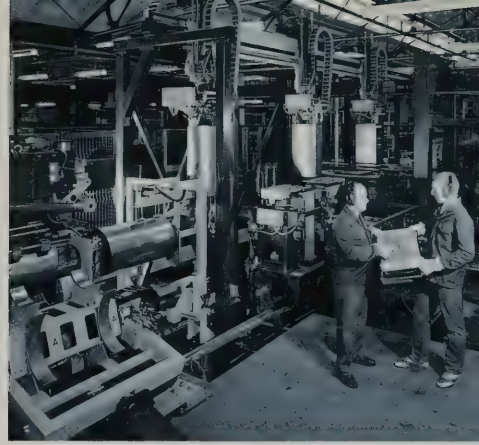
authority to have good ideas and to implement them, they are far more likely to succeed”.

Everyone at Pindar is learning constantly. Training is done internally and externally. “We have people training our people, our own people training the customer”. Customer training is used as a way of gaining a strategic advantage. “For example, we had a customer who ordered something in a particular colour, but could not understand how that colour would look on two different kinds of paper. They were shocked at the result. That led not to an argument, but to the development of a training course to help the customer understand the use of colour. Result? Improved customer relations and several large orders”.

Pindar not only operates through 20 locations in the U.K., they now have access to 330 outlets in over 20 countries. “We take a long-term view of our

company’s growth – the strength of the organisation is what matters to us. The fast pace of change of our business is constantly offering new opportunities to serve our customers. We hope to grasp as many of them as we can”.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



Stoves Ltd North West

Winning companies constantly exceed their customers' expectations with new products and services

Key Achievements

- completely consumer innovation driven
- market declined by 30% – company grew from £17 million to £42 million
- provided 200 jobs in Merseyside during worst recession their industry has known
- capability to produce new model of cooker every day
- can get a product to market ten times faster than any competitor
- stock turn relative to sales now 20 times a year (and improving)
- cost of tooling new models reduced by a factor of 10

"The first thing you need to start a new company is a clear strategic plan and vision." John Crathorne, managing director and CEO of Stoves Ltd (producers of cookers and hobs) is quite specific about what he and his colleagues

wanted to achieve through their management buy-in in May 1989. "We wanted to create a quality company which was capable of satisfying consumer needs in a rapidly changing market".

The achievement of that vision makes an astonishing story. The first thing the new management team did was to research the market in detail, something which had not been done before. At that time, 85% of all built-in electric ovens were imported. The results showed that consumers were becoming increasingly sophisticated. Not only did they want a well-designed, quality product, they wanted it tailored to suit individual needs. "In the modern kitchen, cookers are virtually the only appliance you actually see. Consumers want to have a say in their colour, size, and shape. They want a cooker which is hygienic, safe, easy to clean and geared to the food they cook, in the way they want to

cook it. In other words, they want innovation, more involvement, more choice". In the past, engineers came up with bright ideas and the marketing department then decided how to position them. Stoves turned all this on its head: "our plan was to identify user innovation and then satisfy it. We see this as the trend of the nineties – mass customisation".

How could this idea be put into practice? The changes came in several stages. In 1989, the factory employed about 500 people; the first challenge was to communicate the strategic vision to the staff and gain their involvement. The long production line was restructured into teams of 8–10 people, each team being responsible for the whole production process. Employees' pay was no longer linked to volume, each person was paid a salary, in recognition of their value as one member of a production team. Virtually every

“Customised quality products, designed, produced and delivered quickly”

employee was retrained at the company's own training school on site, learning how to work more effectively as a team by tackling problem-solving tasks which were highly relevant to the work. “You cannot be a quality company unless you believe in, and invest in, your staff. Our people know they are special”. The current training cost is approximately £½ million per year, for a staff of 680 people.

Central to the vision of the Stoves' management team is the relationship they have with suppliers. In 1989, Stoves had approximately 250 suppliers. They unloaded their products into a central area and the goods were then checked and either accepted or rejected. Now, things work very differently. “We have 50 key suppliers and we regard them as partners, with whom we have a mutually beneficial relationship”, says John Crathorne. “There has to be a high degree of trust because they are closely

involved with all our new products. We believe that when two companies form this kind of partnership, they make sure they don't let the other party down because there is too much to lose. In our factory, the person who delivers the goods identifies with the team he services. He finds out the programme for the day or week ahead and makes sure that the right material is in the right place at the right time. Each team has its own telephone for instant access and team leaders are in constant contact with suppliers. How many companies can say that they never have to give their suppliers a schedule? Or that time spent invoicing can be cut down to one transaction per month?” The factory never knows two days in advance what it will be producing, yet they produce about 1,200 units per day. They have no warehousing and very little stock. Products are produced against orders for immediate delivery.

What does all this mean for the consumer? “Customised quality products, designed, produced and delivered quickly”. As for the company, the figures speak for themselves. In a market which has declined by 30% between 1989 and 1994, Stoves increased its turnover from £17 million to £42 million. Managers at Stoves are no longer ‘directors of people,’ they are more ‘directors of traffic.’ Their role is to ensure that the system as a whole is running smoothly and that it is supported by the appropriate resources. “This company used to struggle to launch three new models of cooker a year. We now have the capability to launch a new model every single day of the week”.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



Sunrise Medical Ltd West Midlands

Winning companies constantly introduce new differentiated products and services

Key Achievements

- 20% growth each year over 11 years
- 44% return on cash invested
- "building the strongest team in our industry at all stages – sales, design, engineering, manufacture"
- "creating high quality products has made us number one in a number of countries despite different technical requirements and reimbursement schemes"
- applying innovation to every process

"We make custom mobility products for the disabled. Our mission is to improve people's lives by producing high quality, innovative products". Barrie Payne, managing director of Sunrise Medical, employer of some 370 people, might also add that his goal is to grow the business. In every one of the last 11 years, he and his team have achieved a

20% growth. Return on net assets is at least 44% and, despite aggressive multinational competition, they have attained the number one market slot in a number of different countries.

According to Barrie Payne, the main challenge for a company in the business of mobility products is that "there is no common market. You are trying to sell your products in different countries with different cultures and different reimbursement and approval schemes. There is a complex matrix of barriers to doing business". Sunrise's answer is to go into each country and 'analyse the theatre of business'. "There is no point in going in, all arrogant, and saying 'we have the product you need'. You have to go in with the question – 'what do we have to do to win here?'" Designers, product managers, and sales people, are all encouraged to

find out everything that will help them tailor the product to the needs of a particular culture.

The Sunrise philosophy focuses on people. In 1987, the company decided on a strategy of becoming a 'world-class manufacturer.' They changed the whole structure of the organisation, ended piece-work and created focused teams. They empowered each team to create change and find new, better ways of doing things. "From my point of view", says Payne, "innovation is not just the products, but how you get the product to the customer. It's about improving the process at every stage". The achievements of employees at every level in the organisation are recognised and rewarded. Every month, the factory is closed down for half an hour in order to acknowledge "anything an individual has done. however

“Innovation is not just the products, but how you get the product to the customer”

small, over and above what they might be expected to do”. They get a certificate which goes into an annual draw – they can win a car, a cruise, and other incentives. “It makes sure people are recognised and also makes it a more fun place to be”.

The company is also highly customer focused. They do customer surveys (for both end users and dealers), organise focus groups to talk about new products and encourage middle and lower managers to go out, meet customers and forge relationships. They have improved delivery times and are now producing customised products more closely geared to what each customer wants. 70% of their sales are of products launched in the last four years.

In 1990, Sunrise decided that, in order to win in Europe, they also had to gain greater control over their distribution system.

“The distributors and importers we were using were multi-focused and under-capitalised and we were very vulnerable to their survivability. We decided to acquire company-owned distribution in Spain, France, Germany, Norway and Sweden, and the Benelux countries. The team here put all that in place, with no outside help or investment”. By having Sunrise people in those countries, the company ensured that the distributors concentrated only on Sunrise products and that they were in tune with the corporate culture.

Barrie Payne believes the managing director’s role is “to be analytical, to steer the people in the direction we have to go to win. Also to stimulate people and get the best out of them”. To do this, he, like all his employees, has to be open to new ideas. “I’m still learning. I spend

40–50% of my time travelling and I am always looking out for slivers of gold that I can take back and use”.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



Ulster Carpet Mills Ltd Northern Ireland

Winning companies are led by visionary, enthusiastic champions of change

Key Achievements

- widespread employee empowerment
- major restructuring
- 65% increase in productivity
- time-losing injuries down from 25 to 1 per year
- 'quality costs' down from 27% to 19% of turnover
- learnt from oil industry

In 1988, this family-owned carpet manufacturer was at a crucial turning point. The three Wilson brothers, whose father founded the business in 1938, were approaching retirement age and there were no family members in a position to take over. The future of the company was in the balance. As Edward Wilson, youngest brother and current chairman, explains, "if the company was to remain independent – as we wanted it to – we had to install a professional management team which could take the company over the next three decades".

The brothers appointed a new MD, Michael Mills, impressed by his track record as a senior executive at Esso.

An industry review in 1989 revealed serious challenges for the company. Ulster Carpets was virtually indistinguishable from its competitors in efficiency, technology or quality. Like many other manufacturing companies, it was threatened by low-cost foreign competition. Clearly, the business had to make major changes in order to survive. After considerable turmoil and "some interesting strategic meetings", Board members decided on a series of measures which would radically change the way Ulster Carpets operated. The most crucial of these was a move away from an autocratic management style towards greater employee empowerment. "Prior to 1988, every decision – from the design of the label on the back of a carpet to a major purchase of

a piece of machinery – was made by myself or my brothers. There was no initiative. No innovation. We needed to give people in key positions the opportunity to mould a future for their section of the business. To give them budgets, targets, areas of responsibility and to make them accountable for their performance".

A good example of employee empowerment was in the area of safety. "We thought our safety record was fairly good – we had about one time-losing injury every two or three weeks. But Michael is from the oil industry and he saw that, quite rightly, as unacceptably high". Area safety committees were set up with their own budgets for safety improvements. Time-losing injuries dropped from 25 per year to 1 per year, and one shop-floor initiative resulted in the award of the Sun Alliance Trophy for Occupational Risk Improvement.

Other changes followed. The

"We question everything we do. We ask ourselves, constantly, 'how can we improve? Is there a better way of doing this?'"

number of graduate employees was increased – from 5 in 1988 to over 60 in 1994 – to bring 'more brainpower' into the business. The company now has its own R and D department – "if we can't buy it", says Wilson, "we invent it". Manufacturing processes have been automated where possible, but even more important than new technology, says Wilson, has been a new attitude. "We question everything we do. We ask ourselves, constantly, 'how can we improve? Is there a better way of doing this?'"

Inevitably, the changes of leadership and culture have been difficult for some. "Many have adapted well, others have fallen by the wayside; but overall people have responded positively".

As the company has become more customer focused, new structures and initiatives have followed. For example, departments are no longer compartmentalised and functionally based (design,

manufacturing, sales etc.) but are geared to the needs of their particular market sector (customised or domestic, each under one head). The company has introduced a revolutionary 60-day product guarantee for domestic consumers. "We aim to delight our customers", says Wilson. "The guarantee gives them the opportunity to say if they are not delighted".

The company is also moving towards TQM. "Seen in terms of quality costs, most companies find that as much as 20–30% of turnover is lost in quality cost-defective product, wasted time, futile meetings etc. We have brought quality costs down from 27% of turnover to 19%, but there is still a long way to go".

In 1994, Ulster Carpets looks like a very different company indeed. They are now one of two leaders in the domestic market and have become a key player worldwide. Productivity has increased by 65% in 5 years.

("If we were to produce the same amount of product five years ago, we would be employing 383 more people") Edward Wilson and his brothers are not complacent, but they are proud of the company's achievements in such a short time. "We have been through considerable changes, but it has been well worth it".

Ulster Carpet Mills is still a family company, but it is now on course to compete in a global market well into the next century.

Nine out of ten of the winning UK companies studied exhibited the characteristics of innovation best practice.



